

Message Text

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ORIGIN OPIC-06

INFO OCT-01 EA-09 ISO-00 EB-07 AID-05 XMB-04 TRSE-00

CIAE-00 INR-07 NSAE-00 OMB-01 /040 R

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EA/K:FHMISCH

----- 033647

R 062141Z NOV 75

FM SECSTATE WASHDC

TO AMEMBASSY SEOUL

UNCLAS STATE 263338

E.O. 11652: N/A

TAGS: EINV

SUBJECT: UNION OIL: OPIC

REF: (A) SEOUL 8093; (B) STATE 238408

1. IF EPB BASED ITS DECISION REF A SOLELY ON TIME, IT MAY BE WILLING TO APPROVE PREPAYMENT AT NEXT OPPORTUNITY ON OR ABOUT MAY 15. AMOUNT OF PREPAYMENT WOULD BE REDUCED TO 16.1 MILLION DOLLARS. UNION AND OPIC DO NOT WISH TO PLAN FOR MAY PREPAYMENT WITHOUT SOME CONCRETE FAVORABLE INDICATION FROM ROKG. REQUEST YOU DISCUSS MATTER AGAIN WITH EPB, UNLESS YOU PERCEIVE OBJECTION, TO GET A READING ON ROKG POSITION.

2. RATIONALE FOR PREPAYMENT WAS SET FORTH REF B AND PREVIOUS. BRIEFLY, BENEFIT FOR KOREA LIES IN ADDITIONAL FLEXIBILITY PREPAYMENT WOULD GIVE OPIC TO FACILITATE NEW INVESTMENT THROUGH INSURANCE AND FINANCE PROGRAMS. ALTHOUGH PREPAYMENT IS NOT LINKED TO DOW PROJECT, ADDITIONAL FLEXIBILITY WOULD LEAD QUICKLY TO NEW
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INSURED INVESTMENT AND INFLOW OF FOREIGN EXCHANGE, GIVEN

EXISTING DEMAND FOR OPIC INSURANCE.

3. FOREIGN EXCHANGE DRAIN WOULD APPEAR DRAWBACK FROM ROKG

VIEW. HOWEVER, DRAIN OF THIS MAGNITUDE MAY OCCUR WITHIN NEXT SIX MONTHS IN ANY CASE. AN ALTERNATIVE TO PREPAYMENT OF 16.1 MILLION DOLLARS SENIOR DEBT IS PAYMENT TO UNION OF SUBORDINATED DEBT ALREADY DUE BUT UNPAID. SHOULD ROKG REFUSE PREPAYMENT PROPOSAL, UNION WILL REQUEST THAT SENIOR LENDERS, INCLUDING OPIC, APPROVE KI PAYMENT OF SUBORDINATED DEBT. ALTHOUGH SENIOR LENDERS STRONGLY PREFER THAT SENIOR DEBT BE PAID FIRST, THIS REQUEST WILL BE DIFFICULT TO REFUSE IN VIEW KI CASH POSITION AND ABSENCE OTHER ALTERNATIVE.

4. PLEASE ADVISE. KISSINGER

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